

Commodity Program Principles and Proposals: A View from the Senate

Stephanie Mercier

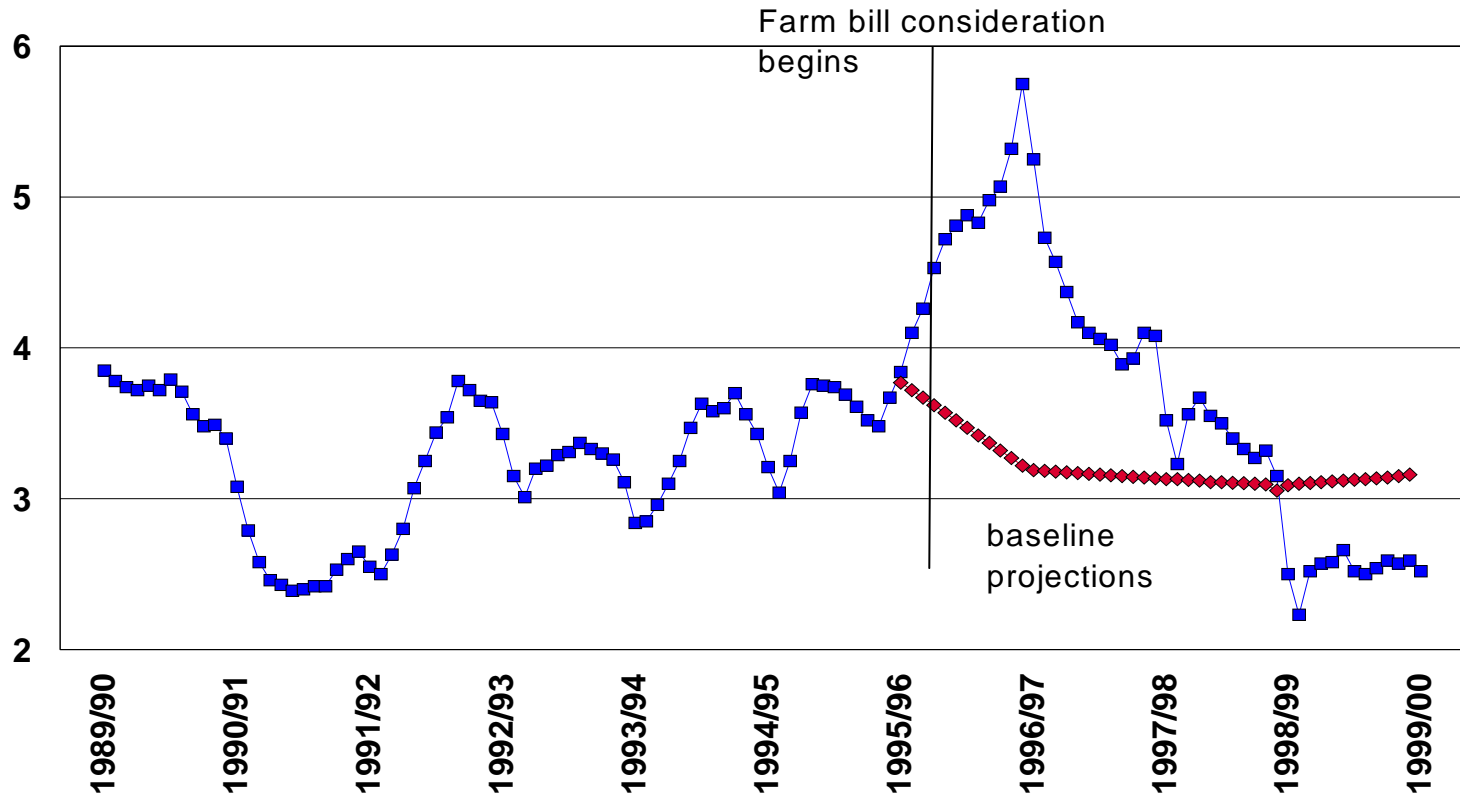
Majority Staff

Senate Committee on Agriculture,
Nutrition, and Forestry

Prelude to a farm bill-I

- 1996 Farm bill passed in a high-price, strong export environment, when farmers were optimistic about their future prospects
- Due to Asian financial crisis and consecutive bumper crops by major producing countries, export demand weakened and prices began to fall
- By 1998, price decline deemed serious enough to warrant Congressional action

Farm-level all wheat price

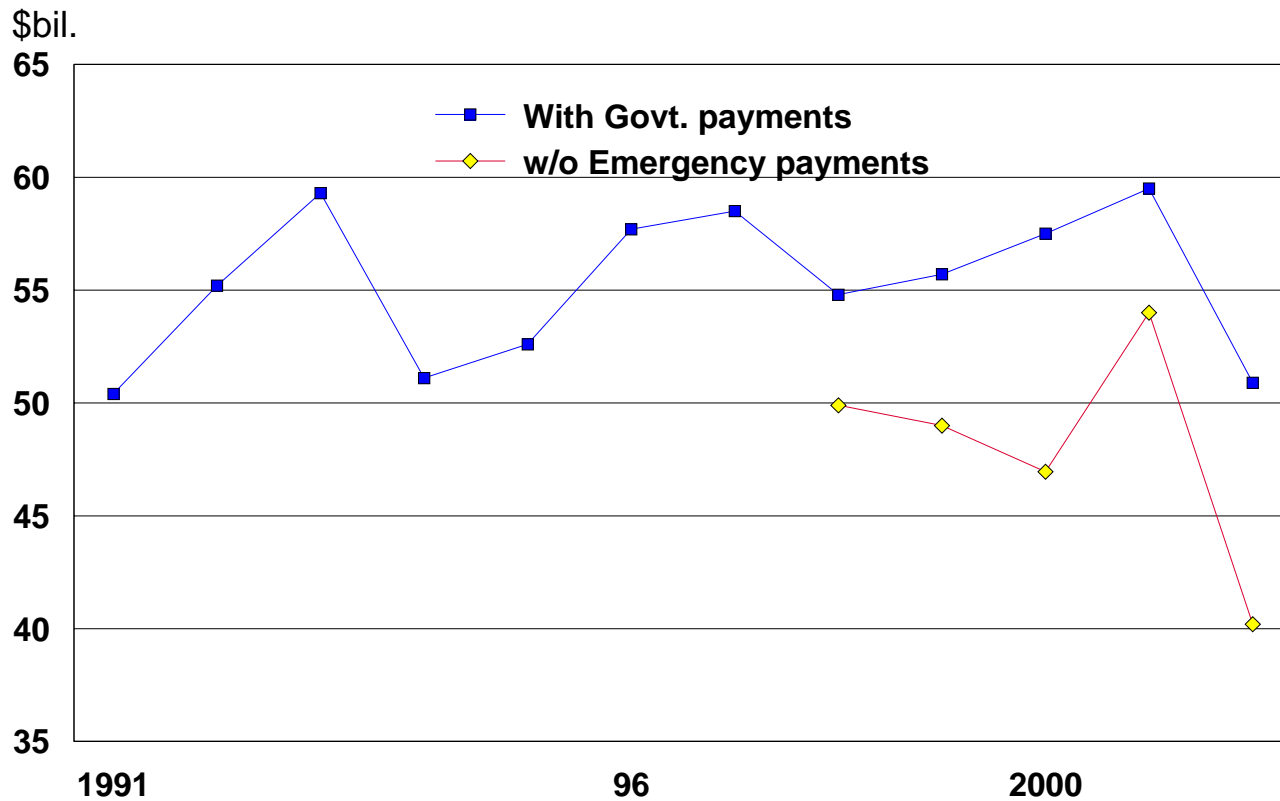


Source: USDA/NASS

Prelude to a farm bill-II

- Congress began to pass series of ad hoc emergency relief bills to boost farm income
 - Last one in August 2001
 - Total cost of packages near \$30 billion
- Concern over inability of current law to respond to such circumstances led to early consideration of new farm bill
 - 1996 Act due to expire September 30, 2002

Net cash income



Source: Agricultural Outlook, Jan-Feb. 2002

Senate farm bill process-I

- 107th Congress began under Republican leadership
 - 50-50 split, with Vice President as tie-breaker
- Farm bill process began slowly under Chairman Lugar
 - Between January and June, 7 farm bill-related hearings interspersed with oversight, nomination hearings
- Control of body switched in June with Senator Jeffords' decision to leave Republican party
 - First hearing with Chairman Harkin held June 28
- Senate Agriculture Committee formally reconstituted with 1-seat Democratic majority

Senate farm bill process-II

- Drafting of Senate bill language commenced over August recess, after House farm bill already reported out
- Process slowed by tragic events of September and October
- Senate mark up (title by title) began late October, completed before Thanksgiving
 - All but two titles passed on bipartisan basis (commodity title and competition title)

Senate farm bill process-III

- Full Senate consideration began early December
 - Bill debated 17 days on floor, new record for farm bills
 - 245 amendments filed or offered
- Senate considered and rejected three substitute bills
- S.1731 passed on Feb. 13 on 58-40 vote

Key farm policy principles- commodities

- Fundamental concern was need for more robust safety net, with counter-cyclical features
- Planting flexibility an important feature of 1996 Act, favored by farmers
- Supply control policies regarded with suspicion by many farmers
- Some believe programs should embrace wider view of agriculture

Key farm policy principles— conservation and rural development

- Expand conservation programs to address working farmland, not just land retirement
- Make conservation programs more widely available
- Need for improved infrastructure to bolster rural economy
- Develop new opportunities for capturing share of value-added dollar

Key farm policy principles— other issues

- Encourage efforts to develop renewable energy resources in farm sector
- Strengthen legal structure to level playing field between farmers and buyers/processors
- Enhance public research and extension system
- Rationalize USDA nutrition programs
- Improve U.S. competitiveness internationally

Farm bill proposals

- Not many new ideas out there—farm policy generally ‘evolutionary’, not ‘revolutionary’
- Field hearings generated concerns and complaints, but few specific proposals
- Commission on 21st Century Production Agriculture prepared report but did not offer ideas ‘outside the box’
- Many analysts and interest groups appear to have counted on being ready for a 2002 farm bill debate, not summer 2001

Counter-cyclical program proposals

- Target price system (price-related)
- Target revenue system
- Link loan rates to cost of production
- De-coupled counter-cyclical approach
- Farm savings accounts
- `Equity payment' approach

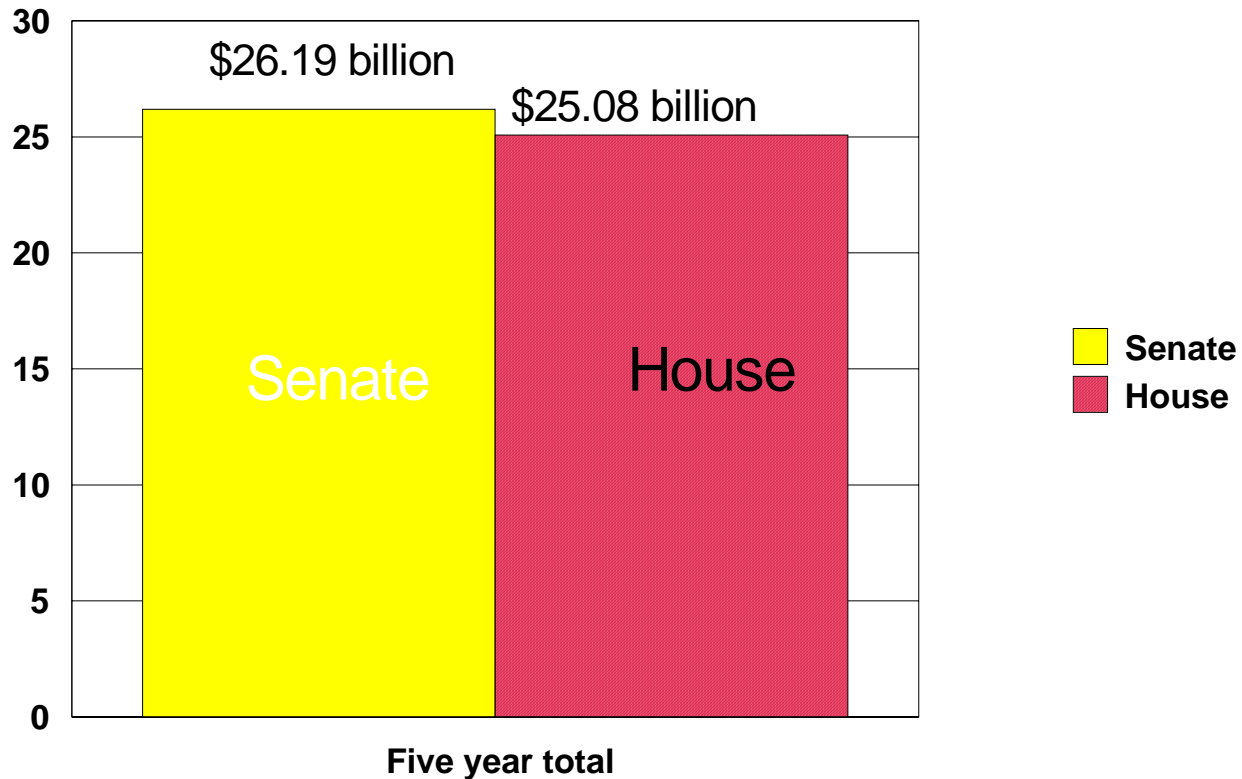
Conservation proposals

- Expand existing programs
 - Focus resources on EQIP
 - Kind-Boehlert approach
- Conservation Security Program

Summary

- Principles of farm policy broadly accepted, actual policies will be determined during the course of the House-Senate conference
- Strong desire to get new farm bill in place in time for spring-planted crops
- Can be certain that all of the money from the budget resolution will be spent in the farm bill
- Stay Tuned!

Senate farm bill provides more for commodities than the House bill



Farm bill comparisons-- 2002-2006

